

DEFENSE

<Overview
<Defense Procurement Budget
<National Missile Defense
<Off-Base Military Housing Allowance Increase

OVERVIEW

Summary of National Defense Proposal

- < The President's fiscal year 2001 national security budget totals \$305.4 billion in budget authority and \$291.2 billion in outlays. That is a \$16.9 billion, or 5.8 percent, increase in budget authority from the current level of \$288.5 billion. While the administration asserts that this increase is intended to provide the resources to support the military mission, there remain many misplaced priorities as well as continuing waste and mismanagement in the Department of Defense. These problems shortchange the United States Armed Forces and create weaknesses in modernization, readiness, recruitment, and retention.

Key Points

- < The administration request contains the following major features: Army: \$70.6 billion, a \$1.1 billion increase over fiscal year 2000's appropriated level; Navy/Marine Corps: \$91.7 billion, a \$4.5 billion increase; Air Force: \$85.3 billion, a \$4.1 billion increase.
- < The budget proposes a 3.7 percent pay raise for active duty personnel, effective January 2001, to try to stem recruitment and retention problems.
- < Ballistic missile defense programs receive \$4.7 billion, of which \$1.9 billion is for National Missile Defense.
- < Major weapon systems receive the following requests: F-22 fighter: 10 aircraft at \$4 billion; F/A-18 E/F multirole fighter: 42 aircraft at \$3.1 billion; C-17 transport: 12 aircraft at \$3.1 billion; V-22 tilt-rotor aircraft: 20 aircraft at \$1.9 billion; DDG-51 destroyer: 3 ships at \$3.4 billion; CVN-77 aircraft carrier: 1 ship at \$4.4 billion; New Attack Submarine: 1 ship at \$2 billion; M-1 tank upgrade: 80 tanks at \$610 million.
- < The administration is expected to request a fiscal year 2000 DOD supplemental of \$2.3 billion for Kosovo, East Timor, and Colombia.
- < The budget request proposes two more base realignment and closure rounds in fiscal years 2003 and 2005. The last round of base closures occurred in 1995.

- < Several programs in DOD's budget are intended to arrest the decline in recruitment and retention. The slippage in recruitment, first seen in 1998, accelerated last year:
 - The Air Force was 2,000 persons short of its recruitment goal in 1999, the first time that service had not met its recruitment goal in decades.
 - The Army fell short by 6,000 persons of its recruitment goal in 1999.
 - There are serious concerns about shortfalls in areas requiring critical skills and extensive training. For example, retaining Navy and Air Force pilots is rapidly becoming a serious problem. The Air Force is currently short 1,218 pilots, while the Navy is 785 pilots short of its requirement .

- < Although overall military recruitment has not yet declined to critical levels, there are concerns the quality of recruits is declining.
 - The percentage of all DOD recruits scoring in the "high quality" category on the Armed Forces Qualification Test has declined from a high of 74 percent in 1992 to 58 percent in 1999.
 - The Secretary of the Army has even proposed recruiting more high school dropouts, even though they have substantially higher rates of departure from the service.

- < There is also a troublesome decline in readiness. The U.S. military is facing an unprecedented number of deployments ordered by the administration: such as Iraq, Bosnia, and Kosovo. The strain of these deployments is causing a significant decline in readiness:
 - Mission capable rates for Air Force and Navy aircraft have declined about 10 percent since 1993.
 - Already in 1998, General Shelton, the Chairman of the Joint Chiefs of Staff, testified that readiness was "in a nosedive." With the conflict over the Iraqi no-fly zone now becoming the longest sustained U.S. air campaign since the Vietnam War, and with the two separate peacekeeping missions in the Balkans, the readiness of U.S. forces will continue to be strained in the coming year.
 - The Air Force says the percentage of "not mission capable" aircraft has grown 53 percent since 1991. "Cannibalization" of Air Force aircraft (removal of parts from one plane to service another plane) has grown 78 percent since 1995 . An internal Navy study says spare parts shortages are "killing us" (*Fleet Perceptions of Overall Logistics Support Quality*). Lieutenant General John Riggs says Army aviation is "in a crisis." (*Defense Week*, 1/18/00).

< At the same time that readiness, recruitment, and retention are slipping, DOD is suffering from serious management problems:

- *Financial Management* - The President's budget describes a "vigorous transformation" of DOD's financial management to "provide more accurate and timely information." But the Pentagon's own Inspector General has declared the Department's books to be unaditable, and does not expect improvement for several more years.
- *Supply Inventory Management* - The Pentagon still has too many of the wrong things in the wrong places. According to GAO, about half of DOD's \$55 billion inventory of spares is excess to current or projected needs; at the same time combat aircraft go unrepaired for lack of spare parts.
- *Information Technology* - The disarray, incompatibility, and vulnerability to outside attack of the Department's information management systems is a serious management challenge. The Defense Information Systems Agency has estimated that there are hundreds of thousands of attacks per year and that the number of attacks was doubling each year.
- *Acquisition Management* - Continued cost overruns and performance deficiencies on DOD contracts have prompted GAO to designate Pentagon acquisition a "high-risk" area: one vulnerable to waste, mismanagement, and fraud. The "\$600 hammer" of the 1980s has re-emerged as a \$75 setscrew that ought to cost 57 cents, according to DOD's Inspector General.
- *Infrastructure* - DOD still has too much fixed overhead for the size of the current force. The President's budget blames the problem on Congress's failure to authorize another round of base closure. But this assertion ignores the fact that 4 rounds were successfully implemented until 1995, when the President politicized the process.

DEFENSE PROCUREMENT BUDGET

Background

For fiscal year 2001, the President has proposed a budget for military procurement that will reach \$60 billion for the first time in the past eight years. Appropriations for military procurement support the acquisition of weapons, equipment, munitions, spares, and modification of existing equipment. Major acquisition or upgrade programs include the Abrams tank, Blackhawk helicopter, V-22 tilt-rotor aircraft, F/A-18 fighter, DDG-51 destroyer, Tomahawk cruise missile, F-22 air superiority fighter and C-17 transport aircraft.

Key Points

- < Modernization of the physical components and systems of the Armed Forces is overdue. The fiscal year 2001 request for procurement is about \$7 billion more than the President requested in fiscal year 2000, and \$6.2 billion more than was appropriated in fiscal year 2000, even after the Congress increased the President's level about 5 percent. It would bring procurement up to its highest level since fiscal year 1993.
- < Already in autumn 1995, the Joint Chiefs of Staff, in their *Chairman's Program Review*, proposed a goal of \$60 billion for military procurement—a goal that was targeted for fiscal year 1998.
- < But other funding needs, such as operations and maintenance requirements for peacekeeping missions, were met by funding procurement less than promised.
- < With higher operational costs for maintaining current military presences overseas, investment needs have been neglected. In 1990, the average age for Air Force fighter aircraft was 11 years. Under current plans, by 2010 the average age of Air Force fighter aircraft will rise to 20 years - an unprecedented situation.

NATIONAL MISSILE DEFENSE

Background

The administration will include a \$2.2 billion increase in national missile defense over the next 5 fiscal years. According to Pentagon officials, the increase will be used mainly for an expanded arsenal of interceptor rockets to be based in Alaska or North Dakota.

Key Points

- < The potential threat posed by the uncontrolled spread of ballistic missile technologies is not new. According to the bipartisan and unanimous conclusions of the 1998 Rumsfeld Commission, the ballistic missile threat to the United States “is broader, more mature and evolving more rapidly than reported in estimates and reports of the intelligence community.” The United States may have “little or no warning” of a ballistic missile threat.
- < Already in August 1998, the North Koreans launched a 3-stage missile with a 3,500 mile range – catching the administration by surprise. North Korea also is believed to be working on a missile capable of hitting parts of the United States. At the same time, the United States has become North Korea’s largest aid donor.
- < China has greatly improved the technology of its ballistic missile arsenal. Its older, liquid fuel ICBMs, which took several hours to fuel and prepare for launch, will soon be replaced by the DF-31, a mobile, solid fuel missile. According to the Cox Report, Chinese penetration of U.S. nuclear labs has permitted them to develop state-of-the-art warhead technology. These developments are particularly troubling both in light of China’s threatening behavior toward Taiwan, and a Chinese general’s warning, in 1996, that the Chinese could destroy Los Angeles in a nuclear strike if they so desired.
- < At present, funding for national missile defense is less than 1 percent of the overall defense budget.

OFF BASE MILITARY HOUSING ALLOWANCE INCREASE

Background

As an intended incentive to retain members of the Armed Forces, DOD's fiscal year 2001 budget will include a \$160 million increase in housing allowances for military members who live off-base. Over 5 years, the policy will cost an additional \$3 billion. Last year, service members living off-base were paying an average of 18.8 percent of their rents out of pocket. The proposed increase is intended to reduce that to no more than 15 percent next year, and service members could immediately begin saving up to \$30 to \$50 a month. The goal by the 5th year is to provide off-base housing at no cost to service personnel.

Key Points

- < Last year, Congress provided a 4.8-percent pay increase for those in uniform and improved their retirement system. But attrition is reaching record levels in the history of the all-volunteer force. Money alone will not stem the exodus of experienced personnel.
- < According to the Fort Benning Study, the Army is losing some of its best future leaders because officers are growing increasingly disenchanted with lengthy peacekeeping missions.
- < Another recent study, by the Center for Strategic and International Studies [CSIS], says that "America's military is facing potentially serious rifts in the fabric of its culture, with attending damage to its future operational effectiveness." CSIS also estimates that the rate of overseas deployment of U.S. troops has increased 300 percent since the beginning of the decade.